

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**May 26, 2010**

### **Call to Order and Roll Call**

The Capital Projects and Bond Oversight Committee met on Wednesday, May 26, 2010, at 9:00 AM, in Room 169 of the Capitol Annex. Senator Bob Leeper, Chair, called the meeting to order.

Present were:

Members: Senator Bob Leeper, Co-Chair; Senator Julian M. Carroll.

Guests: John Hicks, Governor's Office of Policy and Management; Tom Howard, Office of Financial Management; Jerry Graves, Department for Facilities and Support Services, Finance and Administration Cabinet; and Paul Gannoe, Division of Engineering and Contract Administration, Finance and Administration Cabinet.

LRC Staff: Don Mullis, Kristi Culpepper, and Samantha Gange.

### **Correspondence and Information Items**

Senator Leeper indicated that the Committee did not have a quorum and asked Don Mullis, Committee Staff Administrator, to discuss correspondence and information items.

Mr. Mullis said members' folders contained several correspondence items: correspondence from the Council on Postsecondary Education regarding its approval of the Renovate Sanders Brown Center on Aging project for the University of Kentucky; report of a plan by the University of Kentucky to use the Construction Management-at-Risk project delivery method for the Renovate Sanders Brown Center on Aging project; and correspondence from Tom Howard, Executive Director, Office of Financial Management regarding the rating agencies' adoption of global ratings scales.

### **Discussion of State Debt**

In response to a question from Senator Carroll, John Hicks, Deputy Director, Governor's Office for Policy and Management, Finance and Administration Cabinet, said both the current proposed 2010-2012 Transportation Budget Bill and the Executive Branch Budget Bill have a total authorization of approximately \$1.4 billion in bonds. He said the proposed authorization includes General Fund bonds, Road Fund bonds, and Agency Fund bonds. The Agency Fund bond authorization is primarily for the universities and Kentucky Infrastructure Authority.

Senator Carroll asked what the state's debt burden would be with the additional \$1.4 billion. Mr. Hicks said approximately 7.12 percent of revenue.

In response to another question from Senator Carroll, Tom Howard, Executive Director, Office of Financial Management, said the credit rating agencies consider a variety of factors other than debt such as the state's economy, governance issues, overall structural balance of the budget, and financial management. He said Kentucky has had a negative outlook for several years and that is unusual. Mr. Howard commented that Kentucky has been very fortunate not to have received a downgrade at this point. He stated that the rating agencies will want to see what the end result of the budget will be before making any further determination on Kentucky's credit ratings.

Senator Carroll asked how the debt authorizations in the proposed budget will affect Kentucky's total outstanding debt. Mr. Howard indicated he would provide the information to Committee staff.

Mr. Mullis noted that members' folders contained several information items: a memorandum regarding Energy Savings Performance Contracts (ESPC) from Kristi Culpepper, Committee Analyst; an ESPC for Oakwood Hospital; an ESPC for Department of Corrections, Western Kentucky Correctional Complex; an update on Kentucky Infrastructure Authority American Recovery and Reinvestment Act projects; and the staff and bond market updates.

### **Discussion of Energy Efficiency**

In response to a question from Senator Carroll, Paul Gannoe, Director, Division of Engineering and Contract Administration, Finance and Administration Cabinet, said the basic Energy Conservation Measures (ECMs) in ESPCs for state agencies involve installing more efficient plumbing fixtures and more efficient lights. More innovative ESPCs have entailed ECMs such as programming lighting, heating, and air setbacks. The Kentucky Horse Park is currently installing an Energy from Waste System that involve converting the muck from horse stalls to electrical energy and installing sky lights that track the sun.

In response to another question from Senator Carroll, Mr. Gannoe said the energy savings vary from project to project. Jerry Graves, Deputy Commissioner, Department for Facilities and Support Services, Finance and Administration Cabinet, said the energy savings for Finance Cabinet buildings in Franklin County have been approximately \$1 million over the past year. Mr. Graves said he would provide Committee staff with energy usage savings for state-owned buildings.

In response to further questions from Senator Carroll, Mr. Gannoe said the Finance Cabinet sent out surveys and energy audits to all state agencies as part of the

governor's Seven Point Energy Strategy in order to determine the buildings that need ECMs. He indicated that the Finance Cabinet has received all the surveys back and is targeting the buildings that need ESPCs.

Senator Carroll asked who determines which school facilities are in need of energy savings measures. Mr. Hicks said the Department of Education compiles information concerning the school facility conditions.

Senator Leeper indicated that due to a lack of quorum, letters would be sent to the Finance Secretary and Northern Kentucky University listing the items that required action.

With there being no further business, the meeting adjourned at 9:45 a.m.